

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1413 - SB 1617**

February 5, 2014

**SUMMARY OF BILL:** Makes changes to the *Insurance Holding Company System Act of 1986* (Act). Specifies the right of domestic insurers (DIs) and health maintenance organizations (HMOs) to organize or acquire subsidiaries. Creates regulations for DIs and HMOs in regards to owning subsidiaries, including subsidiary acquisition, transfer of assets, investment in stocks, debt obligations and other securities, etc.

Requires a person who is seeking to divert or acquire a controlling interest in a DI to file a confidential notice with the Department of Commerce and Insurance (DCI). The Commissioner is required to determine which party or parties, seeking to divest or acquire a controlling interest in a DI, will be required to file for, and obtain approval of the transaction. Adds requirements to the filing of such notice and increases the time period, from 30 to 60 days, in which the Commissioner must make a determination of approval or denial of a proposed divestment or acquisition of control by a controlling person or party.

Specifies rules and requirements regarding registration, filing, transactions and reporting of any DI or HMO authorized to do business in this state, which is also a member of an insurance holding company system or HMO holding company system. Requires the primary controlling person of every insurer, subject to registration, to file an annual enterprise risk report. Any violation of this chapter may be subject to suspension, revocation or refusal of license. The Commissioner holds the authority to refuse to renew any such violator's license for a period of time as the Commissioner deems appropriate. Further specifies the powers of the Commissioner, and the confidentiality of documents obtained in performance of investigations and examinations by DCI. Authorizes the Commissioner to participate in a supervisory college. The commissioner's expenses relative to such participation shall be paid by the respective, registered insurer or HMO.

Requires an insurer or HMO to regularly conduct an Own Risk and Solvency Assessment (ORSA). Requires the filing of an ORSA Summary Report. Creates a penalty of \$100 a days for a maintenance organization, with a maximum fine limit of \$10,000, for each day such report is past its filing deadline. Authorizes the Commissioner to attain any such organization's ORSA-related documents and materials and share such information with other state, federal and international financial regulatory agencies, including members of a supervisory college.

**ESTIMATED FISCAL IMPACT:**

**NOT SIGNIFICANT**

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Assumptions:

- According to the DCI, any additional responsibilities of the Commissioner or Department can be handled using existing staff and can be absorbed within existing resources.
- The number of additional fines or penalties assessed will be minimal and will result in no significant fiscal impact to state government.

**IMPACT TO COMMERCE:**

**NOT SIGNIFICANT**

Assumptions:

- Companies currently submit holding company statements and intra-holding company transactions to the department for review.
- Requiring greater financial regulation of the transactions of DIs and HMOs, which may result in additional fees or penalties against any such organization, will not result in any material increase in the business expenses of such entities.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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